



Payment Bond FAQ

What is a payment bond?

A payment bond or surety is a guarantee by a bonding company that the contractor will pay all suppliers and subcontractors providing labor and/or materials for use in the performance of the contract. The payment bond is designed to protect loss and protect the interests of the weatherization agency, laborers and vendors. The bond forms define the claims process in the event of contractor failure to pay.

Why is the Wisconsin Weatherization Assistance Program requiring payment bonds?

Under jurisdiction granted in [Wis. Stats. 16.75\(5\)](#), the Department of Administration has determined that payment bonds adequately protect the state and federal interest for services contracts exceeding the State of Wisconsin simplified bid threshold (\$50,000). See also [PRO-C-19](#) and [2 CFR 200.325](#).

What types of documentation are needed for the underwriting process?

Typical underwriting requirements include a contractor questionnaire, year-end financial reports, personal financial statements of company owners, bank references, work on hand schedules, resumes, and continuity plans.

How long does it take to get a payment bond?

The underwriting process can take one day to several days, depending on whether a contractor has been bonded in the past. Bidders have 15 business days following the Intent to Award to secure a bond and provide written proof to the weatherization agency (see RFB Section 6.7).

How much does a payment bond cost?

A bond premium typically ranges between 2.5% and 3.5% of the total annual contract amount. The premium can vary based on credit score.

Will the weatherization/HE+ Furnace agency reimburse the premium cost?

Yes, the payment bond premium is an allowable cost under program rules.

Where can I find more information on payment bonds?

National Association of Bond Producers: <http://suretylearn.org/>
Surety and Fidelity Association of America: <http://www.surety.org>
Surety Information Office: <http://suretyinfo.org/>